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CMSEs' Readiness for Bankability: Issues and Challenges

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Foreword

As part of the ongoing dissemination of research outputs of the Bangladesh Institute of Bank Management (BIBM), this paper presents the findings of the round table discussion titled "CMSEs' Readiness for Bankability: Issues and Challenges." The study was conducted in 2025, and its key insights were presented at a roundtable discussion held in May 2025.

The study was undertaken to examine the extent to which Cottage, Micro, and Small Enterprises (CMSEs) in Bangladesh are prepared to access formal bank financing. It seeks to identify the critical gaps between banks' lending requirements and CMSEs' level of readiness, with particular emphasis on business formalization, financial documentation, collateral availability, managerial capacity, and sector-specific operational characteristics. The research further explores the challenges faced by both CMSEs and banks and highlights areas where policy and institutional interventions are required to enhance bankability and financial inclusion.

It gives me immense pleasure to publish and disseminate the output of this round table discussion among practitioners of banks and financial institutions, regulatory authorities, academics, and other stakeholders. I sincerely hope that this paper will serve as a valuable resource particularly for the banking community and policymakers in designing more responsive, risk-sensitive, and inclusive financing products and approaches to support diversified CMSEs and strengthen their access to formal finance in Bangladesh.

Md. Ezazul Islam, Ph.D.
Director General, BIBM

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Acronyms

ADB	Asian Development Bank
ADC	Alternative Delivery Channels
ATMs	Automated Teller Machines
BB	Bangladesh Bank
BIBM	Bangladesh Institute of Bank Management
CMSE	Cottage, Micro, and Small Enterprise
CMSME	Cottage, Micro, Small and Medium Enterprise
CFCB	Foreign Commercial Bank
GDP	Gross Domestic Production
IB	Islamic Bank
IDBP	Inland Documentary Bills Purchase
LTR	Loan Against Trust Receipt
MFI	Microfinance Institute
NBFI	Non-bank Financial Institution
NGO	Non-government organization
OD	Overdraft
PCB	Private Commercial Bank
POSTs	Point of Sales Terminals
RSFs	Risk-sharing Facilities
SB	Specialized Bank
SE	Small Enterprise
SFBs	Small Finance Banks
SME	Small and Medium Enterprise
SMESPD	SME & Special Programs Department
SOCBs	State-owned Commercial Banks
STL	Short Term Loan

Executive Summary

Cottage, Micro and Small Enterprises (CMSEs) constitute the backbone of Bangladesh's economy, playing a pivotal role in employment generation, income creation, poverty reduction, and inclusive growth. Accounting for nearly 90 percent of all business establishments and contributing approximately 25 percent to GDP and 70–80 percent of non-agricultural employment, CMSEs are central to achieving national development goals, including Vision 2041 and the Sustainable Development Goals (SDGs). Despite their economic significance, CMSEs in Bangladesh remain largely underserved by the formal financial system, particularly commercial banks. Limited access to finance continues to constrain their productivity, resilience, and growth potential.

This study examines the readiness of CMSEs for bankability, focusing on the mismatch between banks' lending requirements and CMSEs' preparedness to meet those requirements. While banks frequently cite high risk, inadequate documentation, weak governance, and lack of collateral as barriers to lending, CMSEs often perceive banks as inaccessible, rigid, and unsupportive. This divergence has resulted in a persistent financing gap, particularly for micro, cottage, rural, and women-led enterprises. The study aims to assess this gap empirically and propose policy-relevant solutions to enhance CMSEs' access to formal finance.

The study adopts a mixed-method approach, combining primary and secondary data. Primary data were collected through structured questionnaires and interviews with 338 CMSE entrepreneurs across 31 districts, covering manufacturing, trading, and service sectors, including women-owned enterprises. In parallel, surveys and key informant interviews were conducted with 21 banks and financial institutions, focusing on their SME products, credit assessment practices, and perceptions of CMSE readiness. Secondary data were drawn from Bangladesh Bank publications, scheduled bank statistics, policy circulars, and relevant academic and institutional literature.

The findings reveal that CMSE willingness to borrow from banks is relatively high, yet actual engagement with banks is significantly lower. While over three-quarters of CMSEs express interest in bank financing, fewer than two-thirds approach banks, and a substantial proportion of applicants face rejection. This indicates a clear gap between demand for bank credit and successful access.

A major constraint to bankability is informality. A significant proportion of CMSEs lack essential documents such as valid trade licenses, Taxpayer Identification Numbers (TINs), registered partnership deeds, and proper business registration. Even among those without these documents, many have never attempted to obtain them due to lack of awareness, procedural complexity, fear of taxation, corruption, and perceived absence of tangible benefits. This informality undermines banks' ability to assess creditworthiness and increases perceived lending risk.

Financial record-keeping and governance practices remain weak. Although many CMSEs claim to maintain financial records, these are often informal, incomplete, and not updated regularly. Only a minority maintain proper accounts for receivables, payables, inventories, and assets over a sustained period. As a result, CMSEs are unable to present reliable financial statements, cash flow projections, or profitability estimates as the key requirements for bank credit appraisal.

Collateral and guarantee requirements emerge as the most significant barriers. The majority of CMSEs do not possess immovable property or acceptable assets to offer as collateral, nor are they able to arrange suitable personal or institutional guarantees. Despite Bangladesh Bank's policy provisions for collateral-free and guarantee-based lending, practical implementation remains limited. Consequently, CMSEs particularly micro, cottage, rural, and women-owned enterprises—are disproportionately excluded from formal credit.

Infrastructure and operational challenges further weaken bankability. Many CMSEs face unreliable electricity and utility services, limited access to suitable business premises, environmental compliance issues, and shortages

of skilled labour. Seasonal demand fluctuations, high employee turnover, and competition from large firms further strain their operational stability and repayment capacity.

The study highlights pronounced gender disparities in access to finance. Although women-led enterprises account for a growing share of CMSEs, their participation in formal bank lending remains disproportionately low. Structural barriers such as limited asset ownership, lower financial literacy, reliance on male family members for financial dealings, and socio-cultural norms significantly reduce women entrepreneurs' readiness and confidence to engage with banks. Despite policy targets requiring banks to allocate a minimum share of CMSME loans to women-led businesses, actual disbursement remains far below potential.

Regionally, CMSE financing remains highly concentrated in urban areas, particularly Dhaka and Chattogram divisions. Rural and semi-urban CMSEs, despite representing a large share of enterprises, continue to face limited banking outreach due to branch concentration, higher transaction costs, and weaker infrastructure. This spatial imbalance undermines inclusive growth and regional development.

From the banking sector's standpoint, CMSE financing has increased steadily in absolute terms, reflecting regulatory pressure and policy prioritization by Bangladesh Bank. However, CMSME loans still account for only around 15 percent of total loans and advances, falling short of the regulatory target. Banks acknowledge challenges related to high operating costs, credit risk, lack of reliable borrower information, and limited scalability of CMSE lending models.

Bangladesh Bank has introduced a robust policy framework, including refined CMSME definitions, sector-wise lending targets, refinancing schemes, unsecured loan provisions, and simplified loan application procedures. Innovative products such as start-up loans, supply-chain finance, distributor finance, and Islamic asset-backed financing are gradually expanding the scope of SME banking. Nevertheless, the study finds that policy intent has not yet translated into widespread, effective

access, largely due to weak CMSE readiness, limited awareness, and inconsistent implementation at the branch level.

The study concludes that enhancing CMSE access to bank finance requires a dual-track approach: strengthening CMSE readiness while simultaneously adapting banking practices to the realities of small enterprises. On the supply side, banks need to expand relationship-based lending, leverage alternative data, simplify documentation, and make greater use of collateral substitutes, guarantees, and agent banking. On the demand side, CMSEs require targeted capacity-building in financial literacy, bookkeeping, formalization, and business planning.

Policy coordination among Bangladesh Bank, government agencies, banks, MFIs, and SME support institutions are essential. Streamlined one-stop digital platforms for registration, licensing, and tax compliance, combined with clear incentives for formalization, can significantly improve bankability. Special emphasis must be placed on women-focused and rural-focused interventions, including tailored financial products, mentoring, and hand-holding support.

CMSEs in Bangladesh possess strong entrepreneurial potential and market linkages, but their readiness for formal bank finance remains uneven and insufficient. Bridging the gap between CMSE preparedness and banking requirements is critical for unlocking inclusive growth, strengthening financial inclusion, and ensuring the long-term sustainability of the CMSME sector. This study provides evidence-based insights to guide policymakers, regulators, and financial institutions in designing more responsive, inclusive, and effective CMSE financing strategies.

CMSEs' Readiness for Bankability: Issues and Challenges

1. Introduction and Background

Cottage, Micro and Small Enterprises (CMSEs) are the foundations of economic development, job creation and for innovation (Srivastava, 2020). In both developed and developing counties, this sector supports industrial development, reducing regional discrepancies and backward linkage support for larger organizations (Manna and Mistri, 2017). In the Asia-Pacific region, MSMEs account for more than 90 per cent of all enterprises and almost the major source of incomes and employment (ADB, 2022). According to Bangladesh Bureau of Statistics [BBS] (2015), of all registered firms, 11 per cent, 88 per cent, 0.7 per cent, and 0.5 per cent in Bangladesh are micro-, small-, medium-, and large-sized, respectively. The CMSME sector contributes around 25 per cent to the GDP, accounting for 70 to 80 per cent of the non-agricultural sector employment and 40 per cent of the manufacturing output (LightCastle Partners, 2020a). Realizing the significance of CMSEs' contributions to the economy, it is important to concentrate more on this sector.

Although the CMSE sector in Bangladesh is critical to enhancing economic growth, minimizing poverty, and creating more employment (Begum & Abdin, 2015; Mamun et al., 2022a), this sector faces various difficulties in the setting up of the business, facilitating investments, supporting business operations and ensuring growth potential. The Covid-19 pandemic resulted in a transformation of businesses, particularly for the CMSE sector. Due to the lockdowns, most businesses experienced a decline in sales, supply chain disruptions and marketing problems, which ultimately resulted in many businesses shutting down and triggering unemployment. Therefore, to support the resurgence of the sector further as part of the post-pandemic economic recovery process, it is necessary to ensure greater CMSE access to finance.

Access to finance has implications on the growth and performance of CMSEs in different aspects. However, for CMSEs, it is quite hard to have

the same access to formal financial sources as medium and large firms. According to the World Bank (2018), in developing countries, 40 per cent of formal MSMEs or about 65 million firms have a financing gap of US$ 5.2 trillion every year, which is equal to 1.4 times of the worldwide MSME lending total. A recent study of Madan (2020) reported that the estimated demand for MSME finance in Bangladesh is US$ 57 billion. But unfortunately, only 33 per cent (US$ 19 billion) of this demand is currently met, resulting in a 67 per cent finance gap in the sector. Another study revealed an unmet financing demand for 60 per cent of women-owned SMEs (Hossain et al., 2020). Perceived high risk, high administrative and monitoring cost as well as the lack of banking networks and attitude of bankers are among the most significant problems which restrict bank lending to the MSME segment. In Bangladesh, there are about 8.1 million MSMEs – 2.3 million are located in urban areas, with nearly 5.8 million in rural areas (LightCastle Partners, 2020b). However, most financial institutions are less capable to reach rural MSMEs with their current banking market structure including financing models and approaches. In Bangladesh, almost all formal financial institutions do not finance businesses unless they have some business history and therefore, CMSEs face a funding crisis in their beginning.

Like other developing countries, financing has been identified as a major issue for small firm growth in Bangladesh (Akterujjaman 2010; Chowdhury, Azam, and Islam 2013) as this sector has much restricted access to finance in formal institutional sources (Islam, Yousuf, and Rahman 2014). In Bangladesh, financial system is mostly the bank-based system. However, commercial banks perceive the CMSEs as a very risky sector alone with the incurring high monitoring cost. Since CMSEs are scattered throughout the country, the existing banking network may not be adequate to serve their financing requirements (Mamun et al., 2022b). Although some other market players like Non-Banking Financial Institutions (NBFIs), Non-Government Organizations (NGOs), Micro Finance Institutes (MFIs), multipurpose cooperatives, and informal money lenders provide finance to the CMSE sector, to some extent, these are not sufficient to meet their financing needs (Mamun et, al., 2022b). Moreover,

it is most likely that banks are providing finance on the behest of the central bank. Thus, the CMSEs in Bangladesh are viewed as underserved in terms of getting finance from the commercial banks. This indicates the importance to examine the participation of commercial bank in providing loans to the CMSEs in Bangladesh.

1.1 Problem Statement

In most of the cases CMSEs claim that they do not get access to the formal financial sector due the high requirements of banks' lending (Mamun et al., 2022b). On the other hand, commercial banks opined that they do not get CMSEs' who are ready to avail bank finance complying banking requirements. Therefore, it creates a dilemma when one party considers that the problems lies with other party. As a result, gap exists between CMSEs' preparedness and banks' lending requirements. Considering the mentioned backdrop, the study intends to examine the CMSEs' readiness for obtaining bank loan.

1.2 Objectives

The main objective of the study is to examine the readiness of CMSEs in Bangladesh to access formal finance, particularly from commercial banks. The specific objectives are:

i. to present the financing scenario of banks and finance companies to CMSEs
ii. to highlight the products and approaches of banks and their requirements for financing CMSEs
iii. to evaluate the current level of readiness of CMSEs in accessing formal bank finance.

1.3 Organization of the Study

The contents of this report are organized into six sections. Section -1 covers the introduction, problem statement, objectives and methodology of the study; Section-2 reviews the literature. Section-3 discusses the policy and regulatory requirements; Section- 4 present the current status of overall loan

and advances and CMSME financing by banks and FIs in Bangladesh; while Section-5 explain the findings from survey. Finally, Section-6 put some suggestions for the greater access to finance by CMSEs.

1.4 Methodology

To achieve the objectives of the study, data have been collected both from primary and secondary sources. Primary data are collected through interview and questionnaire survey from both the CMSE entrepreneurs and banks. For this purpose, two sets of questionnaires were developed; one set for CMSE entrepreneurs and the other one for banks. For collecting the information from the CMSE entrepreneurs, the study followed the purposive sampling method as there is no comprehensive list of CMSEs available. In this process number of districts were determined based on the CMSEs' concentration. Different sectors of CMSEs such as manufacturing, trading and service have been considered. A total of 338 CMSEs have interviewed (including women entrepreneurs) located in 31 districts of Bangladesh.

For collecting data from the banks, a questionnaire survey and Key Informant Interview (KII) have been conducted among the head of CMSME department and higher officials of banks and FIs. For this purpose, one set of questionnaires was sent to the higher officials of CMSME department of banks. A total of 21 banks responded and finally used for analysis. Published literature, research papers, different books were reviewed to complete the theoretical background and relevant websites were visited to collect secondary information.

2. Literature Review

Bangladesh has a vibrant CMSE sector, encompassing a wide variety of industries including textiles, handicrafts, agro-processing, leather goods, and light engineering. The Small and Medium Enterprise (SME) Policy 2019 defines CMSEs based on asset size, employment, and turnover criteria. Cottage industries, often family-run, operate on a micro scale, while micro and small enterprises range from informal setups to registered entities (Ministry of Industries, 2019). CMSEs in Bangladesh are predominantly

informal, lacking proper registration, financial records, and professional governance structures (Ahmed & Chowdhury, 2009). This informality significantly affects their bankability. A significant portion of CMSEs in Bangladesh operate informally, making them invisible to the formal banking sector (Uddin & Bose, 2012). Informal enterprises typically avoid registration due to bureaucratic red tape, associated costs, and limited perceived benefits. As a result, banks find it difficult to assess their financial health or extend credit facilities.

Bankability involves several dimensions including creditworthiness, compliance with financial regulations, availability of collateral, proper documentation, and overall financial viability (Rahman et al., 2017). Bankability refers to the financial viability, creditworthiness, and compliance of an enterprise, which collectively enhance its chances of obtaining formal credit (Ghosh & Van Tassel, 2014). For CMSEs, bankability encompasses factors such as proper financial documentation, sound business plans, collateral availability, governance structures, and the ability to comply with regulatory requirements (Berger & Udell, 2006). Bankability is the ability of CMSEs to meet the criteria required by financial institutions to secure credit - remains a persistent challenge. CMSEs are recognized for their ability to absorb labor, foster entrepreneurship, and contribute to rural industrialization (Ahmed, 2018). The Government of Bangladesh (GoB) considers CMSE development vital for achieving economic diversification and inclusive growth targets outlined in Vision 2041.

Studies show that financial inclusion remains a challenge for CMSEs due to stringent collateral requirements, high transaction costs, and lack of financial literacy (Chowdhury & Alam, 2020). Banks in Bangladesh typically demand immovable assets such as land or buildings as security (Amin et al., 2020). However, most CMSEs, especially cottage and micro enterprises, lack ownership of such assets. This leads to their exclusion from formal credit systems. The World Bank (2021) notes that only a small fraction of CMSEs in Bangladesh access bank loans, relying heavily on informal financing. One of the most cited internal constraints is the limited

financial literacy and managerial capability of CMSE owners (Atkinson & Messy, 2012). Studies reveal that many CMSE owners lack understanding of basic financial concepts, leading to poor financial records, which in turn impede credit assessments by banks (OECD, 2017). Several studies (Chowdhury & Alam, 2017; Rahman & Akter, 2019) have highlighted the limited financial literacy among Bangladeshi CMSE owners. Many entrepreneurs lack understanding of basic financial management principles such as budgeting, cost accounting, profit calculation, and financial statement preparation. This deficiency translates into weak financial records, making it difficult for banks to evaluate creditworthiness.

Obtaining formal credit involves complex paperwork, time-consuming processes, and high administrative costs (Hossain & Ahmed, 2018). For small businesses with limited human resources and capacity, these procedural complexities discourage them from seeking bank loans. Besides, Nkundabanyanga et al. (2014) demonstrated that weak internal control systems and poor bookkeeping practices are among the main reasons financial institutions classify CMSEs as high-risk clients. Collateral is a significant requirement in formal lending. Unfortunately, most CMSEs lack the necessary fixed assets required by banks as security (Beck & Demirgüç-Kunt, 2006). The informal nature of many CMSEs, especially cottage industries, means that they often operate without formal registration or licensing, making them ineligible for formal credit channels (World Bank, 2019). Geographical and infrastructural barriers often impede CMSEs in rural or remote areas from accessing banks (Gichuki et al., 2014). Traditional financial institutions may lack the incentive to establish branches in regions where transaction costs are high and the perceived risk is substantial.

Interest rates on loans to CMSEs are generally higher compared to those offered to large corporations, due to the higher perceived default risk (Love & Martínez Pería, 2015). This cost deters many CMSEs from approaching formal lenders, reinforcing their reliance on informal financial networks, which offer faster access but often at exploitative terms. Complex regulatory frameworks, lack of transparency in loan processing, and

stringent documentation requirements pose significant hurdles to CMSEs (Ayyagari et al., 2008). Compliance costs can be disproportionately high for small enterprises compared to large firms, discouraging formalization and, consequently, formal bank borrowing. Recent literature underscores the transformative role of fintech solutions in enhancing CMSEs' bankability. Digital financial services offer CMSEs avenues for recordkeeping, credit scoring, and access to alternative financing (Ozili, 2018). Mobile banking, peer-to-peer lending platforms, and blockchain-based credit registries are helping bridge the financing gap (Gabor & Brooks, 2017). However, barriers such as digital illiteracy and infrastructural deficits continue to limit the adoption of such technologies among CMSEs, particularly in developing regions (UNCTAD, 2022).

Government-backed credit guarantee schemes, capacity-building programs, and policy interventions have been recognized as critical enablers of CMSEs' bankability. For instance, the Small Business Administration (SBA) loan programs in the U.S. and similar schemes in Asia and Africa help de-risk CMSE lending (Honohan & Beck, 2007). Yet, empirical studies indicate that many such programs suffer from bureaucratic inefficiencies, lack of awareness among CMSEs, and misalignment with the specific needs of micro and cottage industries (Stein et al., 2013). Microfinance institutions (MFIs), cooperative banks, and venture capital have emerged as alternative financing sources for CMSEs. Though MFIs play a crucial role, they often target microenterprises rather than small enterprises poised for scaling (Armendáriz & Morduch, 2010). Equity-based funding options are also constrained by the lack of investor confidence due to limited transparency and weak governance practices among CMSEs (OECD, 2015).

A significant body of literature highlights the gendered nature of financial exclusion. Female-owned CMSEs face higher barriers in accessing credit due to social norms, discriminatory practices, and lack of collateral ownership (IFC, 2017). Female-led CMSEs face greater challenges in accessing finance due to socio-cultural barriers, lack of property ownership, and gender discrimination (Kabeer et al., 2019). Despite government

schemes promoting women entrepreneurship, the uptake remains low due to lack of awareness and institutional biases. Inclusive financing policies and gender-sensitive programs are crucial to addressing this issue. Cottage, Micro, and Small Enterprises (CMSEs) in Bangladesh face numerous challenges when attempting to obtain and maintain Taxpayer Identification Numbers (TINs) and trade licenses, both of which are essential for formalization and bankability. Many CMSE operators, particularly in rural or semi-urban areas, lack knowledge about the procedures for acquiring TINs and trade licenses. They are often unaware of the benefits of formalization, such as access to finance, legal protections, and eligibility for government support programs (IFC, 2021). The processes involved in obtaining these documents are often bureaucratic, involving complex paperwork and frequent visits to multiple government offices. The absence of a streamlined, one-stop system for registration significantly increases the time and cost of formalization (World Bank, 2020).

Corruption is a persistent issue in the licensing and registration process. Small business owners often report being asked for informal payments to expedite or complete applications. This creates a strong disincentive for formalization (BIDS, 2021). While Bangladesh has introduced online systems like the National Board of Revenue's e-TIN registration platform, many CMSEs lack the digital literacy or internet access needed to navigate these services effectively. This digital divide is especially prominent in rural areas (Bangladesh Bank, 2020). CMSEs often avoid registration due to a fear that obtaining a TIN will subject them to burdensome taxation or unwanted scrutiny by regulatory authorities. This perception discourages compliance and pushes entrepreneurs to remain in the informal sector (Ministry of Industries, 2019).

There are insufficient tangible benefits for CMSEs to formalize. Financial institutions and government programs often do not effectively distinguish between formal and informal enterprises when offering support, reducing the incentive to pursue registration (IFC, 2021). Trade licenses are issued by local authorities such as Union Parishads and City Corporations, which often apply inconsistent or outdated requirements. Additionally, some local

government offices lack adequate resources or trained personnel to facilitate efficient service delivery (World Bank, 2020). Based on the literature Table 2.1 summarizes the obstacles faced by the CMSEs in obtaining TIN and trade license related issues.

Table 2.1: Obstacles Face by CMSEs of Bangladesh in Getting TIN and Trade License

Category	Obstacle	Explanation
Awareness & Knowledge	Low awareness	Entrepreneurs are unaware of TIN/trade license requirements and benefits.
	Lack of financial/legal literacy	Difficulty understanding formalization processes.
Administrative/ Bureaucratic	Complex procedures	Lengthy, paper-based, and non-standardized processes.
	Lack of one-stop service	No streamlined system for acquiring all licenses together.
Corruption & Informality	Informal fees/bribes	Demand for unofficial payments discourages entrepreneurs.
Digital Divide	Low digital literacy	Entrepreneurs struggle with online systems (e.g., e-TIN).
	Poor access to digital tools	Limited access to internet/computers in rural areas.
Fear of Regulation	Fear of taxation	Concern about being taxed once registered.
	Perception of government scrutiny	Fear that formalization will lead to audits or penalties.
Lack of Incentives	No clear benefits of registration	Limited financial/non-financial advantages visible post-registration.
	Banks and programs don't reward formality	Financial access doesn't always improve with formal status.
Local Governance Issues	Varying local rules	Trade license requirements differ between municipalities.
	Weak local administrative capacity	Delays or inefficiencies in rural/local government offices.

3. Policy and Regulatory Issues for CMSME Financing in Bangladesh

The Government of Bangladesh, in collaboration with Bangladesh Bank, has taken numerous initiatives to facilitate SME growth. The SME sector plays an essential role in achieving Bangladesh's long-term economic goals, including SDGs and MDGs, which aims transform the lives of the people through sustainable economic development goals. Effective credit policies

can alleviate the prevalent issues in financing, enabling SMEs to thrive and contribute more robustly to the national economy.

3.1 Bangladesh Bank Guidelines for CMSME Financing

3.1.1 CMSME Definition and Loan Limit for Different Sectors

The National Industrial Policy defines Cottage, Micro, Small and Medium businesses based on employee size, fixed assets and yearly turnover. Bangladesh Bank, in turn has assigned Loan limit to different sectors of CMSME (according to SMESPD Circular 1, dated 17-Mar-2025) in the following manner:

Table 3.1: Definition of CMSME and Loan Limit

Category	Sectors	Employee	Fixed Assets (except land and factory)	Yearly Turnover	Loan Limit
Informal & Marginal Business	Trading/ Manufacturing and Service	10 (Including family members)	Less than 5 Lac	N/A	5 Lac
Cottage	Manufacturing	Max 15	Less than BDT 10 lac	-	20 lacs
Micro	Trading	Max 15	Max 15 lac	Max BDT 2 crore	75 lacs
	Manufacturing	25	BDT 10 lac – 75 lacs		2 crores
	Service	15	Less than BDT 10 lac		50 lacs
Small	Trading	11-30	BDT 15 lac – 2 crores	BDT 2 – 20 crores	8 crores
	Manufacturing	26-120	BDT 75 lac – 15 crores		25 crores
	Service	16-50	BDT 10 lac – 2 crores		8 crores.
Medium	Trading	31-100	BDT 2 core -15 crore	BDT 20-50 crore	
	Manufacturing	121-300*	BDT 15 crore – 50 crores		100 crores
	Service	51-120	BDT 2 Crore – 30 crores		75 crores
	** up to 1000 for RMG/labor intensive industries*				

3.1.2 Sector Wise Loan Target for Banks and FIs

According to SMESPD Circular 1 dated 17th March 2025, Bangladesh Bank also has assigned all Banks/FIs specific sectoral and segment-wise targets for CMSME financing, highlighted as below:

Particulars	Target for 2029
CMSME loan outstanding	27% of total loans & advances
Amount of loan outstanding in Informal/marginal, Cottage, Micro and Small	50% of total CMSME loan outstanding
Amount of loan outstanding in Women Led Business	15% of total CMSME loan outstanding
Sector wise CMSME loan outstanding target	Minimum 40% in Manufacturing, Minimum 20% in Service and Minimum 40% in Trading

3.1.3 General Guidelines for CMSME Financing

According to SMESPD Circular 1 (17th March 2025), Bangladesh Bank has instructed the Banks/FIs the following:

- Banks and FIs must have defined business strategy for achieving the CMSME loan outstanding target set by Bangladesh Bank.
- Banks must establish an SME Credit Risk Management Division at the head office level for CMSME loan assessment, risk management, and to facilitate loan approval process.
- Bank must establish SME Division/Wing/Department to implement the defined strategy to achieve the CMSME loan outstanding target. Adequate personnel must be employed for CMSME financing.
- Innovative products should be catered to meet sector wise needs of CMSME customers.
- Banks can disburse loans through competent agents given that no branch is located in the said area.

3.1.4 Loan Application and Approval Procedure

According to SMESPD Circular 1 (17th March 2025); Bangladesh Bank has provided guidelines on the loan origination process to be followed for the CMSME sector:

The loan application must be submitted in Bengali using the prescribed format for entrepreneurs in the Cottage, Micro, and Small Enterprises (CMSE) sector under the SME segment. The format of this application must not differ from other loan application formats.

Bank officials will assist entrepreneurs of the Cottage, Micro, and Small Enterprises sector with their loan applications and serve the applicant with a receipt of submission.

A decision on the loan application must be provided within 10 working days. If the application is rejected, the applicant must be notified in writing. In cases where loan approval is beyond the branch-level authority, the bank and financial institutions will review the matter accordingly but should not take more than 30 days. After loan approval, disbursement should be completed at the earliest possible time.

If a loan application is rejected, the applicant can submit a request for reconsideration at higher level of authority in the bank or financial institution. However, if the loan application is rejected at the final stage, the institution must notify the applicant in writing or through email/SMS including the reason for rejection.

The SME loan-related data must be maintained at the branch level. This includes details of loan applicants, loan approvals, and disbursements, along with the reasons for rejections and relevant dates, which should be recorded in writing. Banks and financial institutions must preserve these records for at least five (5) years.

3.1.5 Guidelines for Unsecured Loans:

According to SMESPD Circular 1 (17th March 2025), security is identified as one of the most prominent problems when it comes to expanding CMSME business. To resolve this issue, personal, social and group guarantees can be considered as security. Also, the borrower's repayment history with other bank can be considered when approving an unsecured loan.

Personal Guarantee**:** A personal guarantee refers to the assurance given by an individual acceptable to the lending institution to ensure the repayment

of the loan issued under an agreement between the lending institution and the borrower. One or more personal guarantees cannot be made mandatory.

Social Guarantee: A social guarantee refers to the assurance given by a recognized social organization/institution acceptable to the lending institution to ensure the repayment of the loan issued under an agreement between the lending institution and the borrower. For example, an employer, a business association, a chamber of commerce, an SME organization, or a training provider can act as a guarantor in such cases.

Group Guarantee: In cases of group-based lending, any member of the group can act as a social guarantor to ensure repayment of the loan taken by another member. If the entire group is jointly liable, then all members can be considered collectively responsible.

3.2 SME Credit Policies and Guidelines:

Bangladesh Bank has implemented structured policies to support SME financing, ensuring that financial institutions play an active role in SME development. These policies include:

Targeted Credit Disbursement: Banks and financial institutions have set specific targets for SME credit disbursement, ensuring a steady flow of funds into the sector.

Area Approach Method: Encouraging financing based on regional and industrial clusters to boost localized economic activities and minimize risks associated with SME lending.

Priority for Small Entrepreneurs: At least 40% of SME credit is allocated to small businesses, recognizing their potential to create employment and drive economic inclusion.

Special Provisions for Women Entrepreneurs: Dedicated loan facilities and lower interest rates for women-led enterprises aim to enhance female participation in business, ensuring gender equality in economic activities.

Collateral-Free Loans: Up to Tk. 25,00,000 can be granted without collateral to certain categories of borrowers, facilitating credit access for new and emerging entrepreneurs.

***Training and Development Programs**:* Banks and financial institutions are required to offer training programs to SME entrepreneurs, enhancing their financial literacy and business management skills.

4. Status of Overall Loan and Advances and CMSME Financing by Banks and FIs

4.1 Loan and Advances of Banks by Division

Table 4.1 goes over the geographical concentration of advances. 68 percent advances were concentrated in Dhaka division in 2022 followed by Chattogram division with about 18 percent. It follows almost the same trend in 2023. It is noteworthy that advances by foreign commercial banks (FCBs) in Chattogram got the least concentration over other groups of banks in Chattogram in 2022, whereas in 2023, it was specialized banks (SBs). Both in 2022 and 2023, FCBs had no footsteps in this arena in Mymensingh, Barisal and Rangpur. For fulfilling the financial needs of cottage, micro, small & medium enterprises (CMSMEs) efficiently, banks need to allocate their financing throughout the country not only to ensure economic development and employment generation but also the regional balance.

Table 4.1 Advances by Geographical Distribution (%)

Divisions	2022					2023 (Sep)				
	SOCBs	PCBs*	SBs	FCBs	All Banks	SOCBs	PCBs	SBs	FCBs	All Banks
Chattogram	8.9	20.6	14.7	6.4	17.6	8.6	20.9	1.9	6.6	17.7
Dhaka	66.4	69.1	28.9	93.1	68.1	67.0	68.6	30.3	92.9	67.6
Mymensingh	2.5	0.8	10.1	0	1.4	2.5	0.8	12.8	0	1.4
Khulna	7.7	2.7	14.3	0.1	4.0	7.7	2.6	17.1	0.1	3.9
Rajshahi	5.3	3.6	9.3	0.1	4.0	5.1	3.9	11.0	0.1	4.1
Barisal	2.3	0.7	7.9	0	1.2	2.3	0.7	10.5	0	1.2
Sylhet	1.4	1.0	4.8	0.3	1.2	1.4	1.1	6.7	0.3	1.3
Rangpur	5.5	1.5	10.0	0	2.5	5.3	1.6	11.7	0	2.5
Total	100	100	100	100	100	100	100	100	100.0	100

Source: Scheduled Bank Statistics, Bangladesh Bank. * Including IBs

4.2 Loans and Advances of Banks in Urban and Rural Areas

An outline of loans and advances in rural and urban areas has been depicted in Table 4.2. It is revealed that about 92 percent of loans and advances are disbursed in 2023 in the urban area and the pattern is almost identical over

the last seven years. Specialized banks put their highest priority in rural areas followed by State-owned commercial banks (SCBs) and Private commercial banks (PCBs). In 2023, a silver line has been observed for FCBs in this context earlier which was nil.

Table 4.2: Loans and Advances of Banks by Urban and Rural (%)

Year	SCBs		SBs		PCBs*		FCBs		All Banks	
	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural
2016	81.3	18.7	37.3	62.7	94.0	6.0	100	0	89.8	10.2
2017	80.5	19.5	33.6	66.4	93.3	6.7	100	0	89.4	10.6
2018	78.0	22.0	33.7	66.3	94.1	5.9	100	0	89.6	10.4
2019	78.8	21.2	33.2	66.8	94.1	5.9	100	0	89.7	10.3
2020	77.8	22.2	32.5	67.5	93.9	6.1	100	0	89.2	10.8
2021	77.5	22.5	33.3	66.7	93.5	6.5	100	0	88.8	11.2
2022	74.9	25.1	33.7	66.3	93.6	6.4	100	0	88.3	11.7
2023 (Sep)	87.0	12.9	33.3	66.6	95.16	4.84	99.87	0.13	91.87	8.13

Source: Scheduled Bank Statistics, Bangladesh Bank; *including IBs

4.3 Exposure of Banks and FIs towards CMSEs Located in Urban and Rural Areas

Except 2020, share of total CMSME loan disbursement to CMSEs by financial sector got positive momentum from 2017 to 2023 in a row indicating the sector's upward attention in CMSEs as evident from Table 4.3. The COVID pandemic may be one of the mentionable causes behind this exception. As always urban CMSEs enjoyed a lion portion of loan facilities over CMSEs located in rural areas during the mentioned time period. But, the required level of correction and development in soft and hard infrastructures become matters of concern for rural CMSEs to ensure financial inclusivity in real sense.

Table 4.3: Total CMSEs Loan by Banks and FIs in Urban and Rural (BDT in Crore)

Year	Total CMSMEs Disbursement	Share of CMSEs (%)	Share of Urban CMSEs (%)	Share of Rural CMSEs (%)
2017	161,777.3	59.1	83.6	16.4
2018	162,643.1	64.7	82.9	17.1
2019	167,970.7	71.2	81.7	18.3
2020	153,496.2	71.0	81.0	19.0
2021	185,428.5	73.2	81.8	18.2
2022	220,489.4	74.6	78.2	21.8
2023 (June)	111815.4	76.2	85.3	14.7

Source: SME & Special Programs Department, Bangladesh Bank

4.4 Loan Exposure to CMSEs by Banks and FIs

Total loan disbursement to CMSEs by banks and FIs getting positive pace over last seven years (Table 4.4). In each year, banks are playing as almost sole contributor in this aspect with average 96 percent share and remaining 4 percent by FIs. Time demanding initiatives like- favorable policy support, tax incentive, tailored CMSE products, effective network with local NGOs and agent, etc. can be good initiatives to increase the share of FIs in this regard.

Table 4.4: Total CMSE Loan by Banks and FIs (BDT in Crore)

Year	Total CMSE Loan of Banks and NBFIs	Share of Banks (%)	Share of NBFIs (%)
2017	95,616.1	94.3	5.7
2018	101,343.3	95.2	4.8
2019	119,379.3	96.1	3.9
2020	108,767.6	97.2	2.8
2021	135,776.7	95.1	4.9
2022	164,543.4	96.3	3.7
2023 (June)	111815.45	95.6	4.4

Source: SME & Special Programs Department, Bangladesh Bank.

4.5 Loan Exposure to CMSMEs by Different Groups of Bank

Cumulative disbursement in CMSMEs was basically led by Private commercial banks (PCBs) excluding Islamic banks (IBs) both in 2022 and 2023 though their respective shares in rural CMSMEs experienced a slight decrease as depicted in Table 4.5. On the other hand, the participation from Foreign commercial banks (FCBs), Specialized banks (SBs) and State-owned commercial banks (SOCBs) in lending rural CMSMEs got a slight positive pace in 2023 over 2022 except IBs. So far, IBs in 2023 captured the highest share (49.41%) followed by PCBs except IBs in the industry in lending rural CESMEs.

Table 4.5: CMSMEs Loan Disbursement by Groups of Bank (%)

Groups of Bank	2021		2022		2023 (June)	
	Cumulative Disbursement	Share of Rural CMSMEs	Cumulative Disbursement	Share of Rural CMSMEs	Cumulative Disbursement	Share of Rural CMSMEs
FCBs	1.7	3.7	1.9	1.8	2.8	3.11
IBs	34.4	43.8	33.2	51.2	26.4	49.41
PCBs excluding IBs	53.9	37.7	52.7	33.9	56.8	32.97
SBs	1.9	6.6	2.0	5.7	2.2	6.29
SOCBs	8.1	8.2	10.2	7.4	11.8	8.22

Source: SME & Special Programs Department, Bangladesh Bank

4.6 Man-Women Ratio of CMSME Loan by Financial Sector

During 2021 to 2023, the total CMSME loan gains a positive pace reflecting consistent importance given by the banking industry in this sector. Despite a lion portion (on an average 95%) of this total disbursed amount has enjoined by the male entrepreneurs, the women's participation has also been increased though with a very tiny volume (Table-4.6). More focused and women entrepreneur centric challenges need to be addressed in the whole journey of CMSME financing.

Table 4.6: Man-Women Ratio of CMSME Loan (Amount and %) by Financial Sector

Year	Total CMSME Loan Disbursement	Man		Women	
		Amount (BDT in Crore)	%	Amount (BDT in Crore)	%
2021	1,85,428.48	1,78,626.50	96	6,802	4
2022	2,20,489.37	2,10,115.28	95	10,374	5
2023	2,29,312.35	2,14,459.35	94	14,853	6

Source: SME & Special Programs Department, Bangladesh Bank

4.7 Status of Total Loan & Advances and % of CMSME Loan

Table 4.7 depicts an optimistic uplift not only in total loans and advances disbursed by the banking sector of Bangladesh but also in CMSME sector from 2020 to 2023. Particularly in 2022, it took a good jump over 2021 in CMSME loan disbursement, and this trend continued in 2023 as well. Though the percentage of CMSME loans of total loans and advances is increasing over the years from 2021to 2023 (from 13% to 15%), it still lags the regulatory requirement of Bangladesh Bank, which is 25% of total loans and advances by 2024).[1] More interactions among the stakeholders need to be ensured with proper monitoring and commitments become urgent in this regard.

Table 4.7: Status of Total Loan & Advances and % of CMSME Loan out of Total Loan & Advances

Year	Total Loan & Advances (BDT in Crore)	Total CMSME Loan (BDT in Crore)	CMSME Loan as % of Total Loan
2020	1,17,5000	1,49,203.60	13%
2021	1,32,4410	1,78,760.90	13%
2022	1,50,2610	2,11,527.00	14%
2023	1,53,8625	2,29,312.35	15%

Source: Financial Stability Report 2022-2023 and SMESPD, Bangladesh Bank

[1] The new percentage of CMSME financing of total loans and advances will be 27% by 2029. (Source: SMECPD Circular No. 01, issued on 17 March 2025)

5. Findings and Analysis

This section presents the study findings and analysis of the study. The findings from cottage, micro and small enterprises are analysed in Section 5.1 and Section 5.2 presents the finding and analysis on the basis of the banks' responses.

5.1 Findings from Cottage, Micro and Small Enterprises (CMSEs)

Based on the responses received from the CMSEs regarding access to finance by CMSEs, this study finds the following responses.

5.1.1 Respondents' Profile

The study surveyed with a structured questionnaire among CMSEs (338) covering 34 districts of eight divisions of Bangladesh. Table 5.1 shows the profile of the respondents. It shows the age of the business, types of business, gender, type of business sector, legal form of business, level of education, mode of business, category of business and location of business.

Most firms (57.21%) have long business experience in terms of their age of business ranging between 11 years to more than 20 years. age covering three types of business sectors, i.e., manufacturing (24.85%), trading (58.88%) and services (16.27%) sectors. The sample firms are mainly male dominant (69.53%). Proprietorship (94.38%) is the major legal form business. 54.14% of the entrepreneurs have the education level HSC and above. The mode of business is basically offline (76.63%) while 21.60% of enterprises use both online and off-line mode of business. The sample firms include micro (58.58%), small (41.72%) and cottage (3.10%). The majority (68.38%) of the firms are located in semi-urban and rural areas.

Table 5.1: Respondents' Profile

Demographics		Frequency (N = 338)	Percentage
Age of business			
	1 - 5 years	76	18.27
	6- 10 years	102	24.52
	11 - 15 years	137	32.93
	16 - 20 years	46	11.06
	More than 20	55	13.22

Demographics		Frequency (N = 338)	Percentage
Gender	Male	235	69.53
	Female	103	30.47
Type of business sector			
	Manufacturing	84	24.85
	Trading	199	58.88
	Service	55	16.27
Legal form of business	Proprietorship	319	94.38
	Partnership	17	5.03
	Private Ltd.	2	0.59
	Cooperative	0	0.00
Level of Education	Below SSC	41	12.13
	SSC	114	33.73
	HSC	106	31.36
	Graduate	40	11.83
	Post Graduate	31	9.17
	Diploma	5	1.48
	Open University	1	0.30
Mode of business	Offline	259	76.63
	Online	6	1.78
	Both	73	21.60
Category of business			
	Cottage	13	3.10
	Micro	197	58.28
	Small	141	41.72
Location of business			
	Urban	117	34.62
	Semi-urban	129	38.17
	Rural	92	27.22

Source: Survey Findings

5.1.2 Willingness and Approach for Bank Loan

The CMSEs of Bangladesh usually obtain loan from the formal sector as well as from the informal sector. Figure 5.1 shows that 77.51% CMSEs are willing to take loans from banks while 62.43% finally approached to banks for loan (Figure 5.2). It is a clear indication about the existing gap between CMSEs' willingness and banks' approach. It may be due to the absence of

banks in those areas or easy access to loans from other sources like NBFIs, NGO-MFIs, money lenders, multi-purpose cooperatives, samities, etc.

Figure 5.1: Willing to Take Loan from Bank

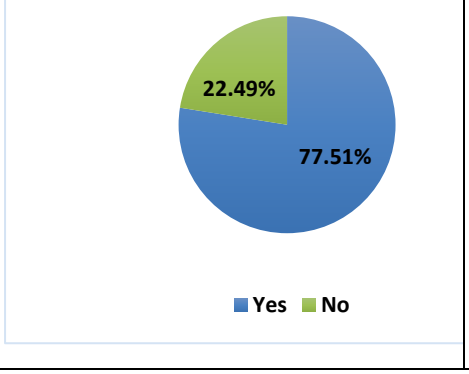
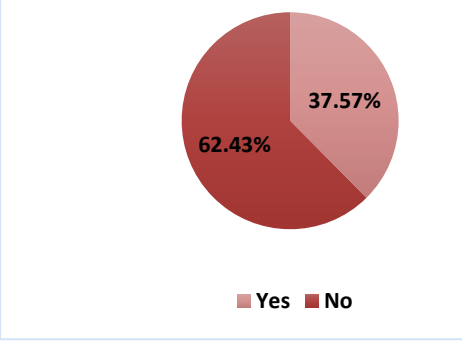


Figure 5.2: Approached to Banks for Loan



Source: Survey Findings

5.1.3 Capital Structure and Obtaining Loan after Approaching to Banks/FIs

The survey result shows that 81.66% (Figure 5.3) of the CMSEs arrange their own fund with a combination from banks and other sources, however, 62.4% of them did not approach for bank loan and 36.7% entrepreneurs approached the banks for getting loans but rejected (Figure 5.4). This may be due to the lack of readiness or lack of proper attention from banks to offer services to those CMSEs.

Figure 5.3: Current Capital Structure

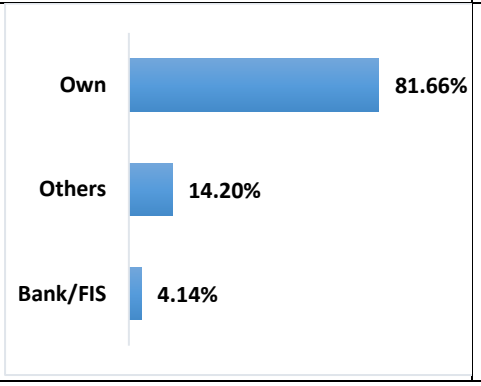
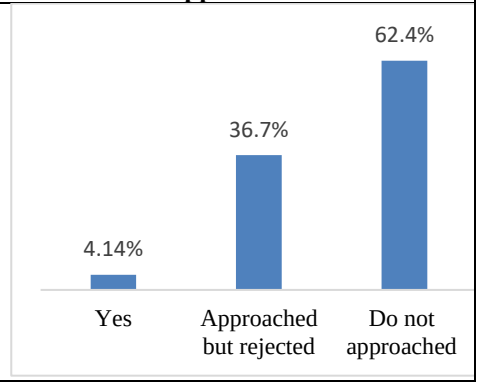


Figure 5.4: Obtained Loan after Approached



Source: Survey Findings

5.1.4 Borrower's Readiness for Bankability: Trade License, Partnership Deed and Other Documents

In terms of borrowers' readiness for bankability, trade license, partnership deed and other relevant documents required by the banks are as shown in Table 5.2.

Table 5.2: Information Related to Trade License, Partnership Deed and Other Documents

Particulars	Yes	No
Have trade license	58.28%	41.72%
If no, have you ever tried to get the trade license	41.84	58.16
Have registered partnership deed	35.29	64.71
Have required document to maintain as the limited company	50.00	50.00

Source: Survey Findings

The CMSEs cited some problems while obtaining trade license and registered partnership deed. They are summarized in Box 5.1 as follows.

Box 5.1: Problems Faced by CMSEs to Obtain Trade License and Partnership Deed

i. Documents problem
ii. Lack of knowledge about the sources of license and deed
iii. Complex and Lengthy Procedures
iv. Corruption and Unofficial Payments
v. Don't know how to get it
vi. The requirement for a trade license is unknown
vii. Limited guidance is available on how to navigate the process
viii. Annual renewals add a recurring financial burden

Source: Survey Findings

Table 5.3 shows the information related to TIN certificate and payment of tax by the CMSEs.

Table 5.3: Information Related to TIN Certificates and Payment of Taxes

Particulars	Yes	No
Have TIN certificate	56.51	43.49
If no, have you ever tried to get the certificate	35.37	64.63
Submit tax return	69.63	30.37

Source: Survey Findings

The CMSEs cited some problems they face to obtain TIN certificate are mentioned in Box 5.2.

Box 5.2: Problems Faced by CMSEs to Obtain TIN Certificate

i.	Lack of awareness and knowledge
ii.	SME owners fear that after getting a TIN they have to pay taxes
iii.	Reluctance to enter the formal tax system
iv.	Technical barriers and poor internet access exclude rural and small entrepreneurs
v.	Problems with NID
vi.	Don't understand the benefits of TIN certificate

Source: Survey Findings

5.1.5 Current Sales and Business Account

Figure 5.5 shows the status of current annual sales by the CMSEs and Figure 5.6 shows the status of CMSEs having bank account in business name. It is evident that 63.02% of CMSEs' current sales is between taka 10 lacs to 50 lacs and majority of them do not have bank account in their business name.

Figure 5.5: Current Annual Sales

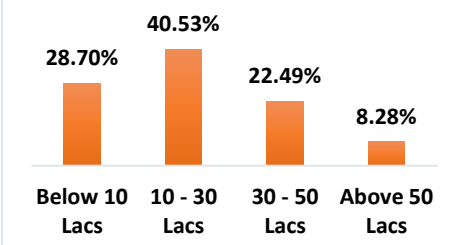
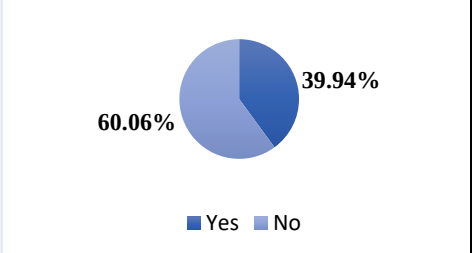


Figure 5.6: Have Bank Account in Business Name



Source: Survey Findings

5.1.6 Status of Security and Guarantee

The CMSEs face several problems as cited in Table 5.4 related with collateral security and obtaining guarantee.

Table 5.4: Information Related to Security and Guarantee

Particulars	Yes (%)	No (%)	Insufficient (%)
Banks demand security to get the loan	80.18	19.82	
Security is the problem in obtaining loan from bank/FI	91.99	8.01	
Property to offer as security as per demand of bank is available	17.46	58.28	24.26
Assets to offer as collateral is available	19.23	53.55	27.22
Guarantee is considered as problem in obtaining loan from bank/FI	86.09	13.91	
Ability to manage guarantee for getting loan from bank/FI	20.71	79.29	

Source: Survey Findings

5.1.7 Capacity, Succession and Premises Status

Capacity to manage a business and ready successor is critical for CMSEs' success which is shown in Figure 5.7 and 5.8 respectively.

Figure 5.7: Capacity to Manage Business

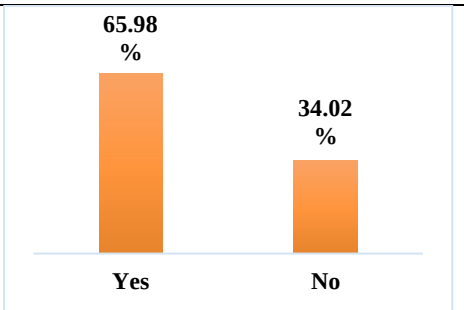
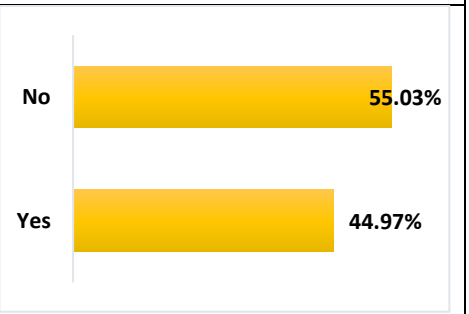


Figure 5.8: Have Ready Succession



Source: Survey Findings

63.31% CMSEs use their premises on rental basis (Figure 5.9) and 57.86% CMSEs keep their rental or lease payment voucher (Figure 5.10)

Figure 5.9: Premises Status of Business

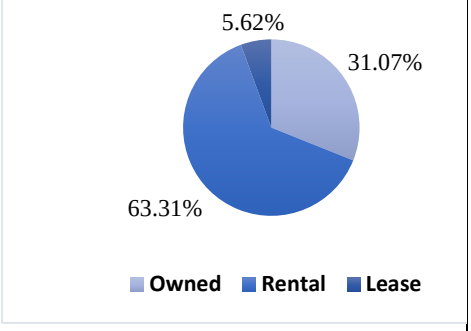
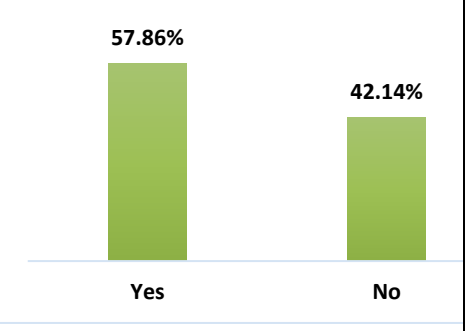


Figure 5.10: Keeping Rent/Lease Payment Voucher



Source: Survey Findings

5.1.8 Record Keeping Status

Record keeping of the financial transaction, current practice for recording financial transaction and information related to record keeping is presented in Figure 5.11, Figure 5.12 and Table 5.5 respectively. Although 64.20% of them claimed that they maintain the record keeping, majority of them keep it in a very unprofessional way. Only 37.57% of the sampled firms keep up to date financial records for the last 12 months.

Figure 5.11: Keeping Record of Financial Transaction

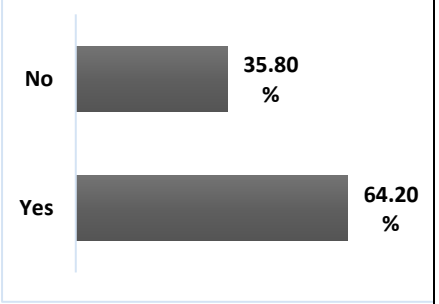
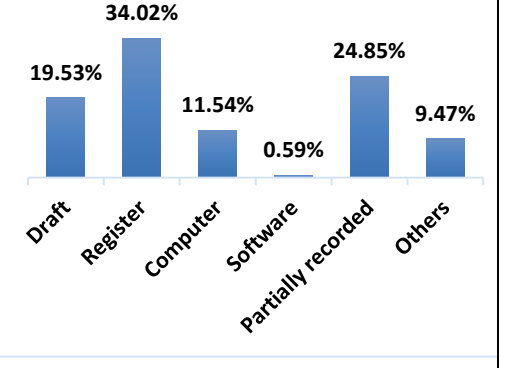


Figure 5.12: Current Practices for Recording Financial Transaction



Source: Survey Findings

Table 5.5: Information Related to Record Keeping

Particulars	Yes (%)	No (%)
Have the record of account receivables, payables, inventories and assets	61.83	38.17
Up to date financial records for the last 12 months	37.57	62.43
Can mention the amount of sales and profits from the recording	59.47	40.53

Source: Survey Findings

5.1.9 Labor and Capital Intensity in Business

Labor intensive businesses were 80.76% and capital-intensive businesses were 19.23%. Out of total sampled firms 24.55% of business has seasonality effects.

Table 5.6: Information Related to Labor and Capital Intensity

Particulars	Yes (%)	No (%)
Labor intensive business has sufficient labor	39.19	60.81
Required number of skilled labors is available	48.72	51.28
Ability of seasonal business to manage labor in peck season	32.53	67.47
Problems face with employee turnover	60.65	39.35
Capital intensive business has sufficient machineries	29.23	70.77
Skilled manpower to operate those machines is available	56.92	43.08
Availability of related parts and technical know-how to maintain those machines	67.69	32.31

Source: Survey Findings

5.1.10 Demand, Market, Distribution and Competition

The CMSEs' status regarding demand of products, market, distribution network, and competition status is shown respectively in Figure 5.13, 5.14, 5.15, and 5.16. It is evident that CMSEs do not have excess demand for their products (54.44%) and they have strong network for selling their products covering local market as well as in district and divisional level. 47.93% CMSEs face competition with the large firms.

Figure 5.13: Existence of Excess Demand of Products

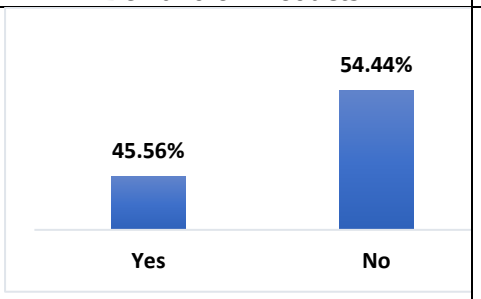
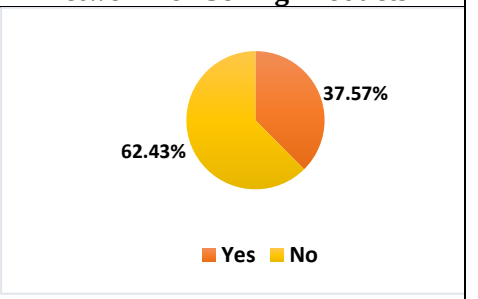


Figure 5.14: Strong Market Network for Selling Products



Source: Survey Findings

Figure 5.15: Selling Area of Products

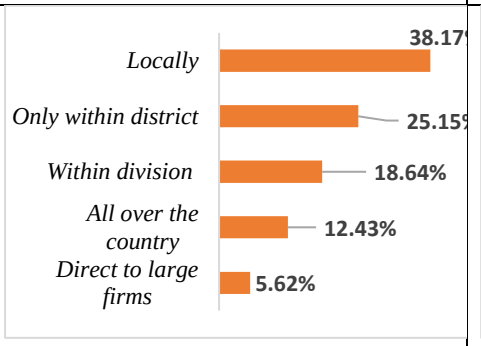
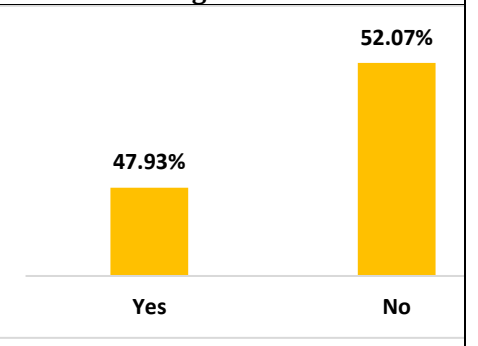


Figure 5.16: Competition with Large Firms



Source: Survey Findings

5.1.11 Utilities, Environmental and Rental Payment

The majority (64.50%) of the CMSEs face problems regarding utilities (Table 4). Table 4 shows that some of the sampled firms have environmental hazards (37.57%) and problems with rental premises (34.19%).

Table 5.7: Utilities, Environmental and Rental Payment

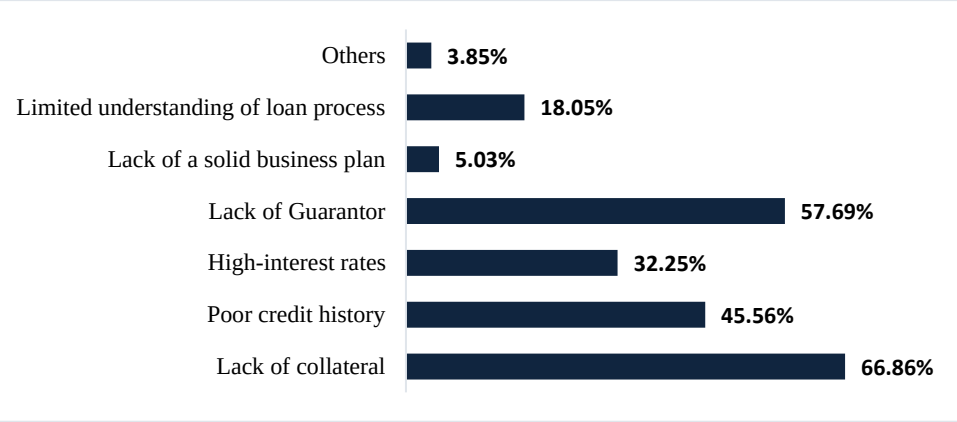
Particulars	Yes (%)	No (%)
Problems face with electricity and utilities	64.50	35.50
Have any environmental hazard of your business	37.57	62.43
Problems with rental premises	34.19	65.81

Source: Survey Findings

5.1.12 Biggest Challenges Facing in Obtaining Bank Loan

The sampled CMSEs cited several challenges (Figure 5.17) in obtaining bank loan. The major challenges are lack of collateral (66.86%), lack of Guarantor (57.69%), poor credit history (45.56%) and high interest rate (32.25%).

Figure 5.17: Challenges Faced in Obtaining Bank Loan



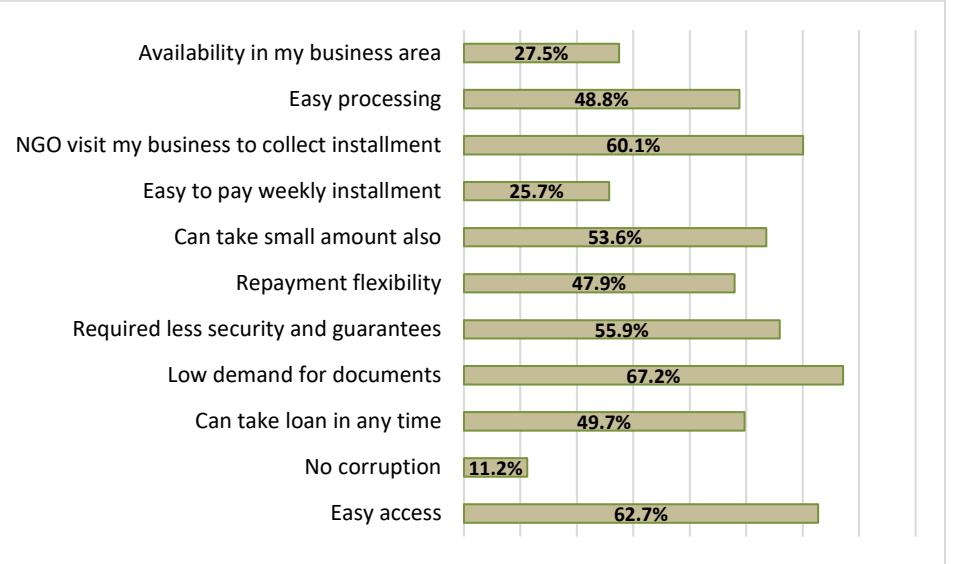
Source: Survey Findings

5.1.13 Advantages of Borrowing from Other than Banks

The CMSEs cited several advantages of borrowing from other than banks are shown in Figure 5.18. The advantages that the CMSEs get from using other sources of financing than banks their businesses are low demand of documents (67.2%), easy access to loan (62.7%), NGOs visit businesses to collect installment (60.1%), require less security and guarantees (55.9%), can take smaller amount of loan (53.6%), easy processing (48.8%), repayment flexibility (47.0%) and so on. These indicate that where there is a requirement for loans, CMSEs can easily obtain loans from the other sources than banks as and when required. There are opportunities for the banks to tap the untapped market for the CMSEs.

Figure 5.18: Advantages Cited by the CMSEs in Borrowing from Other than Banks

(Mixed Response)



Source: Survey Findings

5.2 SME Banking Products, Models and Approaches of Banks and FIs: Status and Findings

The Bangladesh Bank plays a central role in developing CMSME financing guidelines, including refinancing schemes, schedule of charges, interest rate, and loan guarantees to increase access to finance. This section provides a detailed overview of SME Banking products and services in Bangladesh, highlighting their nature, eligibility requirement and strategic importance.

5.2.1 Loan Products

Term Loans: This is the most popular product in CMSMSE financing in Bangladesh.

- Nature: Medium to long-term loan for business expansion, asset purchase, machinery & factory setup etc.
- Loan Size: BDT 1 lac to BDT 2 crore (depending on the bank policy).
- Loan Tenor: 1 to 5 years

Overdraft (OD) Facility

- Nature: Revolving credit facility allowing withdrawal above account balance up to a pre-approved limit.
- Tenure: Renewable yearly
- Collateral: Movable/immovable assets, cash margin, etc.

SME Refinance Scheme (Bangladesh Bank)

- Nature: Low-cost loans funded by Bangladesh Bank through commercial banks and NBFIs.
- Target: Cottage, Micro, Small, and Medium Enterprises (CMSMEs)
- Special Focus: Women entrepreneurs, green financing, ICT-based businesses
- Key Features: Interest Rate: 5–9%, Collateral: Relaxed for women entrepreneurs, Tenure: Up to 5 years

Islamic Asset Backed Finance

Full Shariah compliant financial solutions which assists entrepreneurs to fulfil their liquidity demand with first of kind Shariah-compliant solution dedicated for SMEs. Islamic Business Finance is an innovative Riba-free banking solution which helps meet business's cash need.

- **Facilities**: Term Loan, Single Installment, Overdraft.
- **Security**: Requires collateral (e.g., property, machinery, or other assets).

Distributor Finance

Distributor Finance is an innovative banking solution, designed to help businesses meet their inventory and supplies demand. Aimed at distributors and retailers involved in the distribution of fast-moving consumer goods (FMCG), food, household products, e-money services, airtime, internet services, and non-food items including confectionery, and pharmaceutical products.

- **Facilities**: Overdraft for working capital, customized solutions, platform-driven invoice and lifting solutions. Funding inventory purchases and receivables on a short-term basis. Overdraft facility for working capital. The solution is customized and the tenure depends on corporate anchor

- Platform-driven solution for invoices and lifting
- **Security**: Collateral-free (no need for physical assets as security).

Startup Loan

Startup Loan is designed for innovative, scalable, and commercially sustainable startup businesses. The product is designed to support new entrepreneurs in developing and executing business ideas for business development, expansion, and operational needs.

- **Loan Amount**: Up to **1 crore BDT**.
- **Security**: Collateral-free (no need for physical assets as security).
- **Facilities**: Term Loan in Equated Quarterly Installments (EQI), grace period available.
    - **Eligibility**: Age of Applicant- 21 to 45 years, Experience- Technical education, experience, or skills related to business management, Investment- Entrepreneur must bear at least 30% of the project cost.

Factoring/ Supply Chain Financing Loan

Factoring is a financial transaction in which a business sells its accounts receivable (invoices) to a third party (called a factor) at a discount in exchange for immediate cash. This helps SMEs maintain cash flow and manage working capital more efficiently.

- Purpose: To provide short-term financing against account receivable
- Structure: The bank or NBFI purchased outstanding invoices at a discount and collect payments directly from the debtor.
- Type: Can be domestic (within Bangladesh) or international (Export financing)
- Tenor: 30-180 days
- Advance Rate: 80-90% of invoice value
- Collateral: Usually unsecured; invoices acts as the collateral

Trade Finance and Foreign Exchange Services

Letter of Credit (LC)

- Nature: Ensures secure payment in import/export transactions
- Types: Sight LC, Usance LC

Export Finance (Pre/Post-shipment)

- Nature: Financing against confirmed export orders (before or after shipment)
- Facilities: Packing credit, foreign bills negotiation

Bank Guarantee

- Nature: Bank commits to pay on behalf of client in case of default to a third party
- Uses: Tenders, contracts, performance bond

Digital Services

Internet and mobile banking for SMEs

- Transaction alerts, fund transfer, bill payments
- Digital loan applications and EMI calculators
- 24/7 access via apps and online platform

POS and Payment Gateways

- Merchant POS terminals
- QR-based payments (i.e., BKash, Nagad integration)
- E-commerce payment gateway for SME websites

5.2.2 Ideal Customer Sourcing, Evaluation, and Disbursement Process for CMSME Loans

To ensure efficient customer acquisition, robust risk management, and timely disbursement of credit to Cottage, Micro, Small, and Medium Enterprises (CMSMEs), financial institutions should adopt a structured and streamlined loan processing framework. The process comprises the following key stages:

Loan Sourcing (Customer Acquisition)

Key Sourcing Channels

- Branch & Sub-branch Network: Walk-in customers and existing deposit clients.
- Field Officers & Relationship Managers: Direct engagement with small business owners in urban, semi-urban, and rural areas.
- Agent Banking & Alternative Channels: Leveraging agent outlets for outreach in underserved locations.

- Digital & Online Platforms: Enabling SMEs to submit applications via mobile apps or websites.
- Partnerships: Collaborating with SME associations, chambers of commerce, and industry clusters.
- Referrals: Word-of-mouth and referrals from satisfied clients or local community leaders.

Initial Customer Screening

- KYC Verification: Basic identity and business ownership verification (NID, Trade License).
- Preliminary Data Collection: Business size, annual turnover, years in operation.
- Loan Purpose Assessment: Working capital, asset purchase, trade finance, etc.
- Preliminary Eligibility Check: Informing customers of documentation requirements and initial credit parameters.

Loan Appraisal (Credit Evaluation & Risk Assessment)

A. Preliminary Assessment (by Relationship/Loan Officer)

- Business Profile & Site Visit:
    - Nature of business, operational scale, customer base.
    - Physical inspection of premises, stock, equipment.
- Documentation Collection:
    - Legal (Trade License, TIN, VAT), Financial (bank statements, invoices).
- Credit Report Review:
    - Check existing borrowings, repayment history, MFI involvement.

B. In-depth Risk Evaluation (by Credit Analyst/Underwriter)

Credit Scoring Components

- Business age and stability.
- Sales and profitability trends.
- Existing liabilities vs. net worth.
- Collateral or alternative security availability.

Due Diligence Activities

- Operational Due Diligence: Site visit, stock verification, interviews with suppliers and customers.
- Financial Analysis:
    - Debt Service Coverage Ratio (DSCR)
    - Debt Burden Ratio (DBR)
    - Debt-Equity Ratio (DER)
    - Review of income-expense consistency and banking behavior.

Collateral Assessment (if applicable)

- Collateral Valuation: Independent assessment of mortgaged property or movable assets.
- Legal Verification: Title deed and encumbrance check.
- Guarantees: Personal and third-party guarantees as applicable.

Compliance Check

- Full alignment with Bangladesh Bank's CMSME guidelines.
- Adherence to AML/CFT regulations and internal compliance standards.

5.2.3 Loan Selection, Approval, and Disbursement

A. Credit Decision Process

- Review by internal credit committee.
- Categorization based on risk-adjusted return on capital (RAROC).
- Decision outcomes:
    - Approval: Meets financial and risk benchmarks.
    - Returned: Requires further clarification or documentation.
    - Rejection: High risk or non-compliance.

B. Documentation & Sanction

- Loan Agreements: Sanction letter, loan application, and repayment schedule.
- Legal Instruments: Hypothecation agreements, security documents, and postdated cheques.
- Guarantees & Collateral Deeds: If applicable.

C. Disbursement Process

- Final Compliance Check: By Disbursement/Operations Unit.
- Disbursement Mode: Loan proceeds credited to borrower's business account.
- Relationship Officer Notification: To begin post-disbursement monitoring and support.

5.2.4 Post-Disbursement Engagement

- Relationship managers to monitor business health, repayment trends, and provide advisory support.
- Regular follow-ups, site visits, and early warning triggers for delinquency to be incorporated into the monitoring framework.

Adopting this structured CMSME loan process ensures transparency, reduces credit risk, and promotes sustainable growth for CMSME businesses. It also aligns with regulatory requirements while ensuring timely and inclusive financial access across the SME sector.

5.2.5 Required Documents by Banks and FIs for CMSE Financing

Table 5.8: Required Documents for Financing

Sl.	Documents
1	Loan Application Form (duly filled up)
2	Mandatory Bangla Loan Approval Form (LAF)
3	Apply for Loan in Client's Company Letter Head
4	CIB form
5	Trade License (Up to Date)
6	Applicant’s Photo and NID
7	Tax Clearance Certificate (Latest)
8	Guarantors NID with Photo and Trade License
9	In case of Partnership Business
(a)	Partnership Deed (Notarized/Registered)
(b)	Partner’s Resolution for availing Loan from Bank/NBFI
10	In case of Private Limited Company
(a)	Certificate of Incorporation
(b)	Memorandum & Articles of Association
(c)	Board Resolution for availing Loan from Bank/NBFI
(d)	Form XII (Registered in RJSC)

Sl.	Documents
11	Bank Statement (Last 12 Month)
12	Rental Deed/Possession Deed/Ownership Documents of business premises
13	Loan Sanction Letter (if any)
14	Loan Repayment Statement (if any)
15	Fixed Assets list
16	Receivables Report
17	Inventory/Stock Report
18	Payables Report
19	Sales Report (Last 12 months)
20	Suppliers List
21	Buyers List
22	Machinery List (In case of Manufacturer)
23	Utility Bill (Business/Factory Premises)
24	Specific business license/s (As per regulatory requirement)
25	**Property Documents (For secured loan only)**
a)	Title Deed
b)	Bia Deed
c)	Mutation Khatian along with DCR
d)	Up to Date Land Tax
e)	Up to Date Holding Tax (if any)
f)	Plan with Approval Letter (if any)
g)	CS, SA, RS, BS Khatians
h)	Non-encumbrance certificate (NEC)

5.2.6 Mindset of Board, CMSE Model and Dedicated Team of Banks and FIs

Table 5.9: Mindset, Model and Dedicated Team of Banks and FIs

Particulars	Yes (%)	No (%)	Positive	Partially	Negative
Mindset of your board for financing CMSME			76.19	23.81	00
Have different model for CMSME financing	66.67	33.33			
Have dedicated team for CMSME financing	52.38	47.62			

5.2.7 Trade License, TIN Certificate, Security and Guarantee

Table 5.10: Information Related to Trade License, TIN, Security and Guarantee

Particulars	Yes (%)	No (%)
CMSEs should be registered to get loan	90.47	9.53
Provide any CMSE loan without trade license	00	100
TIN certificate mandatory to give loan to the CMSEs	95.24	4.76
Provide any loan to the CMSE without any security	42.86	57.14
Demand guarantee for CMSE loan	85.71	14.29
In absence of guarantor, is there any alternative to get the loan	9.53	90.47

5.2.8 Capacity Development, Cash Management and Record Keeping

Table 5.11: Information Related to Capacity building and Record Keeping

Particulars	Yes (%)	No (%)
CMSEs lack capacity to run their business	80.95	19.05
Provide any training to the CMSEs regarding their capacity	42.86	57.14
Get proper transactions record from CMSEs	4.76	95.24
Have activities to develop CMSEs' record keeping	14.29	85.71
Provided any template to the CMSEs for their business record	28.57	71.43
Provide training to enhance their cash management activities	38.09	61.91
Type of record keeping Banks and FIs are expecting from the CMSEs		
Cash book and bank book, General ledger, Sales registrar, Purchase registrar, Account receivable and payable report, Income statement and Balance sheet, Online depository		

5.2.9 Readiness by Third Parties, Campaign Among CMSEs and Interest rate

Table 5.12: Readiness by Third Parties, Campaign and Interest rate

Particulars	Yes (%)	No (%)
Third party can work for CMSEs readiness to get loan	76.19	23.81
Interested to get the ready file from any third party (with charges)	71.43	28.57
Have campaign among CMSEs about the requirements of obtaining loan	66.67	33.33
Interest rate charged against the CMSE loans is high	47.62	52.38
Initiatives stakeholders can take to reduce the interest rate		
i. Credit guarantee; ii. Interest subsidy; iii. Cheap Refinance; iv. Cluster financing; v. PPP for CMSME infrastructure; vi. Digitalization; vii. Tax incentive; viii. Blended finance		

5.2.10 Findings from Key Informant Interviews

Table 5.9: Bankers' Responses Regarding Various Factors

Factors	Responses from Banks
Interest Rate	▪ Interest rate is not high ▪ Reasons for prevailing rate - risk is higher - monitoring and administrative cost is higher - high cost of funds - high cost of maintaining relationship ▪ Service charge and loan processing fees are negligible; it ranges from 0.5% to 1%
Security and Guarantee Requirement	▪ For some cases collateral is mandatory ▪ Collateral could be one effective way of mitigating risk ▪ Already started loan without collateral ▪ Cash flow of small businesses is not consistent and prediction is also difficult ▪ Less interested for non-conventional collateral as it increases administrative hassles
Documentation	▪ As per the regulatory guidelines, banks must follow the documentary requirements ▪ Different issuing authorities are responsible
Loan Processing Time	▪ Loan processing time is not lengthy ▪ Proper appraisal and approval of loan proposal ▪ Centralized approval process may require time
Working Capital Loan	▪ Providing working capital loan to the small enterprises provided that the borrowers fulfil their loan requirements ▪ Sometimes borrowers demand loan on the basis of wrong calculation. ▪ Working capital loans are provided on the basis of borrowers' capacity ▪ Minimum time must be required.
Unstructured Financial Information	▪ Do not maintain good record of their transactions as per requirement ▪ Negligence to keep accurate record ▪ Provide fabricated financial statements
Managerial Capacity	▪ Lack of formal education ▪ Lack of financial and digital literacy ▪ Succession is not ready in many cases ▪ Not well experienced regarding the business or production process

6. Issues Raised for Discussion with Possible Solutions

Despite their significance, the CMSE sector remains severely underserved by formal financial institutions, with access to finance being the most frequently cited barrier to growth. However, this is not solely a supply-side constraint. It also reflects critical readiness challenges on the part of CMSME entrepreneurs themselves. The key issues raised were: *lack of formal registration and business identity; weak financial documentation and bookkeeping; fear of formal sector and bureaucracy; excessive documentation requirements; small ticket loan with low documentation requirement; excessive security and collateral requirements; guarantee requirement for financing CMSEs; lack of managerial capacity, skilled labor and technician; challenges of marketing, distribution and competition; infrastructure and accessibility of required utilities; and readiness challenges of women entrepreneurs.* Therefore, based on the observations and findings of the survey, secondary data analysis and accommodating the comments of seminar participants, the study recommends the following:

6.1 Confirming Formal Registration and Business Identity

Many CMSEs operate informally, without trade licenses, TIN, VAT registration, or linkage of NID with business operations. This lack of formal identity excludes them from bankable profiles and prevents them from accessing government incentives or refinance schemes. To support their transition to formal operations, the government can offer trade licenses free of cost for an initial period or concessional rate and fully digitize the process to reduce time, cost, and hassle. A one-stop online platform with simplified documentation and a uniform trade license number can streamline registration. Strengthening local support desks and Union Digital Centers (UDC) will further help entrepreneur's access services easily and complete formalities with guidance. In addition, awareness campaigns, help desks, and handholding support by banks, SME Foundation, and chambers of commerce can guide entrepreneurs through registration procedures, making formalization attractive, affordable, and beneficial rather than burdensome.

6.2 Simplifying Documentation and Bookkeeping

Unstructured financial information is a serious barrier for entrepreneurs to get access to formal finance. Entrepreneurs often do not maintain cash flow records, sales registers, or expense tracking. Lack of organized accounting prevents the preparation of financial statements required for loan processing and appraisal. Many of them rely on oral agreements and informal financial practices. In this regard, to support them, we can provide basic training on bookkeeping, tailored to their business scale and literacy levels. Simple, easy-to-use recordkeeping tools, standardized cashbook templates, mobile-based accounting apps in Bangla, manual or mobile-based record keeping system can be introduced. Collaboration with local NGOs, BDS providers, and trade bodies can ensure hands-on support. Linking loan eligibility, refinancing facilities, or interest rate incentives with minimum record-keeping compliance can further motivate entrepreneurs to adopt formal financial practices. These steps can gradually improve CMSEs' financial practices and credit readiness.

6.3 Plummeting Fear of Formal Sector and Bureaucracy

Many entrepreneurs, particularly in rural areas, fear taxation, legal obligations, or audits if they enter into formal financial channels. This discourages registration and engagement with banks, even when they qualify for support. Stakeholders can address this by simplifying registration, offering incentives, building trust through awareness campaigns, and providing hands-on support. Establishing one-stop service centers and ensuring data confidentiality will further encourage formal participation. Banks, SME Foundation, MFIs, and local government institutions can act as facilitators and guarantors, providing handholding support, transparent information, and confidence that formalization brings benefits rather than risks.

6.4 Avoiding Excessive Documentation Requirements

Most of the entrepreneurs claim that banks demand huge documents for getting loans even for a small amount which become sometimes difficult for them to manage. On the other hand, banks have to comply with the

regulatory requirements regarding the demand for documents. In this situation, while banks must follow regulations, alternative approaches like risk-based and relationship-based lending, post-disbursement monitoring and use of alternative data (e.g. mobile payments, utility bills, bank account turnover, supplier invoices, and sales receipts) can reduce documentation for small loans. Such measures can help CMSEs access finance more easily without compromising compliance. Instead of a uniform documentation framework, regulators and banks can introduce tiered or graduated documentation standards, where very small loans require only basic identity, simplified business information, and transaction evidence, while higher loan sizes trigger additional documentation. The use of credit guarantee schemes, cluster-based lending, group guarantees, and relationship banking can further reduce banks' risk and documentation burden.

6.5 Ensuring Small Ticket Loan with Low Documentation Requirement

Many cottage and micro entrepreneurs claimed that for a small amount of loan banks may follow low documentation formalities like NGOs. Also, many banks opined that they have competitors other than banks in rural areas for financing CMSEs and they are facing various threats from those competitors, namely offering small ticket loans, loan without a trade license, provide personal loans, and because most businesses in rural areas are micro businesses. Banks can address this by introducing collateral-free small ticket loans using simplified procedures tailored for CMSEs. Adopting cash-flow-based lending, leveraging alternative data, and using agent banking or digital platforms can help reduce documentation. Simplified loan products with low ceilings and short repayment cycles, combined with group or joint liability lending and credit guarantee schemes, can reduce risk while making loans accessible. Regulatory support for risk-based KYC and customized products is also key to staying competitive in rural markets.

6.6 Reducing Excessive Security and Collateral Requirements

A lion portion of sampled firms (92%) claimed that security is the problem in obtaining loans from bank/FI and only 17.46% of them have property to offer as collateral. Therefore, due to the excessive security and collateral requirements, most of the CMSEs prefer to get loans from other than banks with high interest rates. Although many banks have started to offer collateral free loans to CMSEs even in rural areas, this may not be sufficient enough for the overall need of the CMSEs. Banks can expand their CMSE portfolio with low collateral requirements by adopting alternative credit assessments such as cash-flow-based lending and using non-traditional data like transaction history and utility payments. Partnering with credit guarantee schemes and applying insurance at the portfolio level helps mitigate overall loan risks. Providing tailored loan products combined with financial literacy support will enable banks to confidently and rapidly increase lending to CMSEs. Group lending, joint liability, and cluster-based approaches provide social collateral and peer monitoring, further mitigating risk. Digital platforms can streamline application, approval, and monitoring processes, reducing operational costs and enabling smaller loans to reach more CMSEs quickly. Additionally, offering graduated lending products, where borrowers start with small, unsecured loans and gradually gain access to larger amounts based on repayment history, can build trust and expand the CMSE portfolio sustainably.

6.7 Overcoming Guarantee Requirement for Financing CMSEs

A vast majority of the CMSEs (86.09%) argued that guarantee is the problem in obtaining loan from bank/FI. From the survey findings, guarantee requirements are identified as one of the most serious impediments to the extension of credit in the CMSE sector. According to the findings, only 20.71% of entrepreneurs can manage guarantee for getting loans from bank/FI. Banks may reduce guarantee requirements by adopting credit guarantee schemes and exploring portfolio-level insurance to cover potential loan defaults. Using cash-flow-based lending and alternative data (such as mobile transactions or utility payments) can help assess creditworthiness without relying on personal guarantors. Banks can

also utilize group or joint liability lending, where a small cluster of entrepreneurs mutually guarantees each other's loans, creating social collateral and peer pressure for repayment. Insurance-linked products, such as loan protection or portfolio insurance, can also safeguard banks against defaults. These approaches can ease access for CMSEs while managing risk for banks.

6.8 Developing Managerial Capacity, Skilled Labor and Technician

Many CMSEs face significant managerial challenges, including limited knowledge of cash management, weak financial and digital literacy, inability to prepare proper business plans, lack of succession planning, and dependence on rented premises, while also struggling with shortages of skilled labor and technicians. Enhancing the managerial capacity of CMSEs requires a coordinated effort from stakeholders. Targeted training programs on cash management, financial and digital literacy, and business planning should be introduced, especially at the local level. Skill development initiatives focused on vocational and technical training can address the shortage of skilled labor and technicians. To reduce lending risks related to succession and rental-based businesses, banks and supportive institutions can encourage proper business structuring, promote formal agreements, and integrate basic succession planning into enterprise development programs. Strengthening business resilience through these measures will improve loan performance and support sustainable CMSE growth. Some business incubation centers may be implemented in divisional level either in the BSCIC premises or any other government agencies to provide continued support.

6.9 Improving Marketing, Distribution and Competition

CMSEs face a variety of challenges related to marketing, distribution, and competition. Although many of them (45.56%) have excess demand in the market, majority of them (62.43%) do not have a strong marketing network for selling their products. Also 47.93% of CMSEs claimed that they are facing high competition with large firms which affect their profit margin. Additionally, in markets with low barriers to entry, successful CMSE

products can be quickly copied by competitors, including larger players with better resources. These obstacles can hinder small business growth and sustainability. CMSEs can strengthen marketing and distribution through collective platforms, cluster branding, and better access to e-commerce. Training in branding, digital marketing, and market research will enhance their competitiveness. Linking with retail chains and logistics providers can expand market reach. Government procurement and export orientation through government patronization may accelerate CMSE marketing activities. Similarly, banks, development agencies, and business associations can facilitate distribution linkages with retailers, wholesalers, and e-commerce platforms, while cluster-based approaches enable shared storage, transport, and supply-chain networks. Support for product innovation and intellectual property awareness will also help protect against imitation by larger firms, ensuring long-term growth and sustainability.

6.10 Enhancing Infrastructure and Accessibility of Required Utilities

CMSEs often face significant infrastructure and utility accessibility issues that can hinder their operations, productivity, and business growth. From the finding it is evident that, 64.50% of the firms sampled seriously faced utilities problems. Frequent power outages or voltage fluctuations disrupt production processes, especially for manufacturing-based CMSEs. Even when utilities are available, high costs (electricity, water, internet) consume a large portion of their operating budgets. Developing dedicated industrial zones or CMSE clusters with uninterrupted power, water, and internet supply can address infrastructure gaps. Investment in micro-grids, solar or renewable energy solutions, and backup power systems can reduce dependence on unstable public grids, particularly in rural or peri-urban areas. Authorities can also introduce subsidy schemes or preferential tariffs for electricity, water, and digital services for registered CMSEs to reduce operational costs. Coordination between local government, utility providers, and development agencies is crucial to monitor service quality, address outages promptly, and plan infrastructure upgrades. Additionally, utility pricing structures may be revised to make essential services more

affordable for small businesses. These steps will help improve CMSE productivity and support sustainable growth.

6.11 Increasing Readiness Challenges of Women Entrepreneurs

Women entrepreneurs face greater readiness challenges as the limited exposure to business training, fewer networking opportunities, and weaker asset ownership. Most of the women business are operating in an informal way, mostly rely on online based and very traditional in nature. Even many of them rely on their male family members for business and financial dealings, reducing their direct engagement with banks. Enhancing the readiness of women entrepreneurs requires targeted, gender-sensitive interventions. Tailored business training, financial literacy, and digital skills programs can build their confidence and capacity. Women-focused business incubators, networks, and peer groups can provide access to market information, training, and shared resources, strengthening confidence and independence in decision-making. Banks and MFIs can design simplified loan products and advisory services specifically for women entrepreneurs, including group lending, collateral-free microloans, and stepwise credit access. Creating women-focused support platforms such as dedicated helpdesks, mentorship networks, and peer groups can improve access to information and guidance.

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Appendix I: Questionnaire for CMSEs

বাংলাদেশ ইনস্টিটিউট অব ব্যাংক ম্যানেজমেন্ট

মিরপুর-২, ঢাকা-১২১৬।

"সিএমএসই-দের ব্যাংক লোন পাওয়ার যোগ্যতা অর্জনের প্রস্তুতিঃ বিভিন্ন বিষয়াদী ও প্রতিকুলতা" শীর্ষক গবেষণা সংক্রান্ত প্রশ্নাবলী

(ক্ষুদ্র ও ছোট ব্যবসায়ের জন্য)

ব্যবসার নাম ঃ.....

উত্তরদাতার নাম ঃ.....

ব্যবসার ঠিকানা (মোবাইল নং সহ) ঃ.....

১। কোন বছর আপনি আপনার ব্যবসা শুরু

করেন?.....

২। ব্যবসার ধরণ ঃ ☐ উৎপাদনকারী (Manufacturing)

☐ ব্যবসা (Trading)

☐ সেবাদানকারী (Service)

৩। ব্যবসার আইনী ধরণ/প্রকার ঃ

☐ ব্যক্তি মালিকানাধীন ☐ অংশীদারী ☐ প্রাইভেট লি: কো: ☐ সমবায়

৪। ব্যবসায়ীর ধরণ ঃ ☐ পুরুষ ☐ নারী

৫। শিক্ষাগত যোগ্যতা ঃ

☐ এস.এস.সি এর নিচে ☐ এস.এস.সি ☐ এইচ.এস.সি ☐ স্নাতক

☐ স্নাতকোত্তর ☐ ডিপ্লোমা ☐ উন্মুক্ত বিশ্ববিদ্যালয়

৬। ব্যবসায়ের পদ্ধতি ঃ ☐ অফ-লাইন ☐ অন-লাইন ☐ উভয়

৭। ব্যবসার অবস্থান ঃ ☐ শহর ☐ মফস্বল ☐ গ্রাম

৮। ব্যবসার শ্রেনী (Catagory) ঃ ☐ ক্ষুদ্র ☐ ছোট

(জমি এবং দালান ব্যতীত মোট সম্পদের উপর ভিত্তি করে।)

ক্ষুদ্র ব্যবসার জন্যঃ মেন্যুফেকচারিং: ১০ লক্ষ টাকা থেকে ৭৫ লক্ষ টাকা; ট্রেড এবং সার্ভিস:

১০ লক্ষ টাকার নীচে

ছোট ব্যবসার জন্য ঃ মেন্যুফেকচারিং: ৭৫ লক্ষ টাকা থেকে ১৫ কোটি; ট্রেড এবং সার্ভিস:

১০ লক্ষ টাকা থেকে ২ কোটি

৯। আপনার ব্যবসার বর্তমান মূলধন কাঠামো কেমন? (টাকা/%)

i. নিজস্ব অর্থায়ন

ii. ব্যাংক/আর্থিক প্রতিষ্ঠান থেকে ঋণ গ্রহণ

iii. অন্যান্য উৎস হতে ঋণ গ্রহণ (বন্ধু, আত্মীয়, সমিতি, অর্থ ঋণদাতা, এনজিও.....)

১০। আপনার বর্তমান বাৎসরিক বিক্রয় কেমন?

☐ ১০ লক্ষ টাকার কম ☐ ১০ লক্ষ টাকা থেকে ৩০ লক্ষ টাকা

☐ ৩০ লক্ষ টাকা থেকে ৫০ লক্ষ টাকা ☐ ৫০ লক্ষ টাকা থেকে বেশি

১১। আপনি কি ব্যাংক/ আর্থিক প্রতিষ্ঠান থেকে ঋণ গ্রহণ করতে ইচ্ছুক? ☐ হ্যাঁ ☐ না

১২। আপনি কি কখনো ঋণের জন্য ব্যাংক/ আর্থিক প্রতিষ্ঠানে আবেদন করেছেন? ☐ হ্যাঁ ☐ না

১৩। আপনি আবেদন করার পর কি ঋণ পেয়েছিলেন? ☐ হ্যাঁ ☐ আবেদন করেছিলাম কিন্তু প্রত্যাখ্যাত হয়েছি

ঋণ গ্রহীতার ব্যাংক ঋণ পাওয়ার যোগ্যতা অর্জনের বিভিন্ন মাপকাঠি (Parameter)

১৪। আপনার কি ট্রেড লাইসেন্স আছে? ☐ হ্যাঁ ☐ না

১৫। যদি না থাকে, আপনি কি কখনো ট্রেড লাইসেন্স পাবার উদ্যোগ নিয়েছেন/ চেষ্টা করেছেন?

☐ হ্যাঁ ☐ না

১৬। যদি আপনি ট্রেড লাইসেন্স পাবার চেষ্টা করেও তা অর্জনে ব্যর্থ হয়ে থাকেন তবে তার কারণ/কারণগুলো কি ছিল?.....

১৭। যদি ইহা 'অংশীদারি ব্যবসা' হয় তবে কি আপনার নিবন্ধিত অংশীদারি দলিল (Partnership deed) আছে? ☐ হ্যাঁ ☐ না

১৮। যদি ইহা 'প্রাইভেট লিমিটেড কোম্পানী' হয়, তবে কি আপনার 'লিমিটেড কোম্পানী' সংক্রান্ত প্রয়োজনীয় সকল কাগজপত্র (Document) আছে? ☐ হ্যাঁ ☐ না

১৯। "ব্যবসা প্রতিষ্ঠানের নামে" আপনার কি কোন ব্যাংক হিসাব (Account) আছে?

☐ হ্যাঁ ☐ না

২০। আপনার কি "টিন (TIN) সার্টিফিকেট" আছে? ☐ হ্যাঁ ☐ না

২১। যদি না থাকে, তবে আপনি কি কখনো "টিন (TIN) সার্টিফিকেট" পাবার জন্য চেষ্টা করেছেন?

☐ হ্যাঁ ☐ না

২২। "টিন (TIN) সার্টিফিকেট" পেতে আপনি কি কোন অসুবিধার সম্মুখীন হয়েছেন?.....

. ...

২৩। আপনার কি সরকারকে 'কর' দিতে হয়? ☐ হ্যাঁ ☐ না

২৪। যদি কর দিতে হয়, তবে কি আপনি "ট্যাক্স রিটার্ন" দাখিল করেন? ☐ হ্যাঁ ☐ না

২৫। আপনি কি মনে করেন জামানত (Security) ব্যাংক/আর্থিক প্রতিষ্ঠান থেকে ঋণ পাবার ক্ষেত্রে একটি সমস্যা? ☐ হ্যাঁ ☐ না

২৬। ঋণ প্রদানের জন্য/ক্ষেত্রে ব্যাংক কি আপনার কাছে জামানত (Security) দাবী করেছিল?

☐ হ্যাঁ ☐ না

২৭। আপনার কি ব্যাংকের চাহিদা অনুযায়ী প্রাথমিক জামানত দেয়ার মত সম্পদ আছে?

☐ হ্যাঁ ☐ না ☐ অপর্যাপ্ত

২৮। আপনার কি ব্যাংকের চাহিদা অনুযায়ী সহায়ক জামানত (Collateral) দেয়ার মত সম্পদ আছে? ☐ হ্যাঁ ☐ না ☐ অপর্যাপ্ত

২৯। আপনি কি মনে করেন জামানত (Guarantee) ব্যাংক/আর্থিক প্রতিষ্ঠান থেকে ঋণ পাবার ক্ষেত্রে একটি সমস্যা? ☐ হ্যাঁ ☐ না

৩০। ব্যাংক কি ধারণের জামানত (Guarantee) দাবী করে?

....

৩১। আপনি কি ব্যাংক/আর্থিক প্রতিষ্ঠান থেকে ঋণ পাবার জন্য প্রয়োজনীয় জামানত (Guarantee) জোগাড় করতে পেরেছেন? ☐ হ্যাঁ ☐ না

৩২। আপনার কি ব্যবসায়ের সকল কিছু পরিচালনা (Manage) করার মত সামর্থ (Capacity) আছে? ☐ হ্যাঁ ☐ না

৩৩। ব্যবসা চালিয়ে নেয়ার মত আপনার কি কোন "Ready Successor (উত্তরাধিকারী)" আছে?

☐ হ্যাঁ ☐ না

৩৪। আপনার ব্যবসা প্রতিষ্ঠানের অবস্থান কি? [Business Premisses]

☐ নিজ মালিকানাধীন (Owned) ☐ ভাড়াকৃত (Rented) ☐ ইজারাকৃত (Lease)

৩৫। যদি ইহা ভাড়াকৃত/ইজারাকৃত হয়, তবে কি আপনার ভাড়া (Rent)/ইজারা প্রদান (Lease Payment) এর 'রশিদ' আছে? ☐ হ্যাঁ ☐ না

৩৬। আপনি কি আপনার ব্যবসায়ীক লেনদেনের হিসাব (Record) রাখেন? ☐ হ্যাঁ ☐ না

৩৭। যদি হিসাব রেখে থাকেন, তবে আর্থিক তথ্য লিপিবদ্ধকরনে আপনার বর্তমানে ব্যবহৃত পদ্ধতি উল্লেখ করুন

☐ টুকে রাখা ☐ কাঁচা রেজিষ্টার ☐ কম্পিউটার

☐ সফ্টওয়্যার ☐ রাখি না ☐ অন্যান্য

৩৮। আপনার ব্যবসায়ের বাকি, দেনা, স্টক এবং সম্পদের কোন হিসাব আছে? ☐ হ্যাঁ ☐ না

৩৯। আপনার ব্যবসায়ের গত ১২ মাসের সকল আর্থিক হিসাবের রেকর্ড 'হালনাগাদ' করা আছে কি?

☐ হ্যাঁ ☐ না

৪০। আপনি কি আপনার ব্যবসায়ীক তথ্য ভান্ডার (Record) থেকে 'বিক্রয়' এবং 'লাভ' এর পরিমাণ যথাযথভাবে উল্লেখ করতে পারেন? ☐ হ্যাঁ ☐ না

৪১। আপনি কি কখনো আপনার "ব্যবসার আয়ুষ্কাল" এর জন্য ব্যাংক/আর্থিক প্রতিষ্ঠান থেকে ঋণ পেতে প্রত্যাখ্যাত হয়েছেন? ☐ হ্যাঁ ☐ না

৪২। আপনি কি আপনার "Break-even Point" অতিক্রম করেছেন? (আয়=ব্যয়)

☐ হ্যাঁ ☐ না

৪৩। যদি আপনার ব্যবসা "শ্রম ঘন" হয়ে থাকে, তবে কি আপনার পর্যাপ্ত সংখ্যাক কর্মী আছে?

☐ হ্যাঁ ☐ না

৪৪। ব্যবসা পরিচালনার জন্য প্রয়োজনীয় সংখ্যাক দক্ষ জনশক্তি কি আপনার আছে?

☐ হ্যাঁ ☐ না

৪৫। যদি আপনার ব্যবসায় সিজনাল প্রভাব (Seasonality effect) থাকে, তবে বাজারে উচ্চ চাহিদাকালীন কি আপনি প্রয়োজনীয় সংখ্যক জনশক্তি (Labor) যোগান দিতে পারেন?

☐ হ্যাঁ ☐ না

৪৬। আপনার ব্যবসা কি "কর্মী চলে যাওয়া (Employee Turnover)" সংক্রান্ত সমস্যার সম্মুখীন হয়েছে? ☐ হ্যাঁ ☐ না

৪৭। যদি আপনার ব্যবসা মেশিনারি নির্ভর হয়ে থাকে, তবে কি আপনার পর্যাপ্ত "যন্ত্রপাতি (Machineries)" আছে? ☐ হ্যাঁ ☐ না

৪৮। যন্ত্রপাতি পরিচালনা করার মত কি আপনার দক্ষ জনশক্তি আছে? ☐ হ্যাঁ ☐ না

৪৯। যন্ত্রপাতি পরিচালনার জন্য প্রয়োজনীয় যন্ত্রাংশ এবং টেকনিশিয়ান কি পাওয়া যায়?

☐ হ্যাঁ ☐ না

৫০। আপনার পণ্যের কি বাড়তি/মাত্রাধিক্য চাহিদা আছে? ☐ হ্যাঁ ☐ না

৫১। আপনার পণ্য বিক্রির জন্য শক্তিশালী "Market Network" আছে? ☐ হ্যাঁ ☐ না

৫২। আপনি কি তুলনমূলকভাবে বড় ব্যবসা প্রতিষ্ঠানসমূহের দ্বারা প্রতিযোগীতার সম্মুখীন হন?

☐ হ্যাঁ ☐ না

৫৩। আপনি কি 'বিদ্যুৎ', 'গ্যাস', এবং 'পানি' সংক্রান্ত কোন অসুবিধার সম্মুখীন হয়েছেন?

☐ হ্যাঁ ☐ না

৫৪। আপনার ব্যবসায় কি কোন "পরিবেশগত ঝুঁকি" আছে (পানি/বায়ু/শব্দদূষণ)?

☐ হ্যাঁ ☐ না

৫৫। যদি আপনার ব্যবসা "Online mode"এ পরিচালিত হয়, তবে প্রাতিষ্ঠানিক উৎস (Formal Sector) থেকে ঋণ পেতে আপনি কি কি অসুবিধার সম্মুখীন হয়েছেন? .....

৫৬। ব্যাংক ঋণ পেতে আপনি কি ধরণের বাঁধা/প্রতিবন্ধকতার (Challenge) সম্মুখীন হয়েছেন?

☐ জামানতের ঘাটতি ☐ ঋণ সংক্রান্ত তথ্যের দূর্বলতা (Credit History)

☐ উচ্চ সুদ হার ☐ গ্যারান্টরের ঘাটতি

☐ উপযুক্ত "Business Plan" এর অভাব

☐ ঋণ প্রক্রিয়া সংক্রান্ত সীমিত জ্ঞান ☐ অন্যান্য

৫৭। চলমান মূলধন (Working Capital) সংক্রান্ত ঋণ পেতে আপনাকে কি ধরণের অসুবিধার সম্মুখীন হতে হয়েছে (যদি থাকে)? .....

৫৮। সহজেই ঋণ পাওয়ার ব্যাপারে আপনার পরামর্শ কি?

"সহযোগীতার জন্য আন্তরিক ধন্যবাদ"

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